

1507 - 21st Street, Suite 330
Sacramento, California 95814
Telephone: (916) 445-2080
Contact Person: Kathy Tomono
www.nmvb.ca.gov

STATE OF CALIFORNIA
NEW MOTOR VEHICLE BOARD
MINUTES

The New Motor Vehicle Board ("Board") held a Special meeting on April 23, 2003, at the Renaissance Esmeralda Resort, Valencia 3-6 Room, 44-400 Indian Wells Lane, Indian Wells, California.

2. **ROLL CALL**

Glenn E. Stevens, President of the Board, called the General meeting to order at 9:07 a.m.

Present:	Robert V. Branzuela	Tom Novi
	Robert T. (Tom) Flesh	Executive Director
	Angelo Quaranta	Howard Weinberg
	Glenn E. Stevens	General Counsel
	David W. Wilson	Robin Parker
		Senior Staff Counsel

Absent: David C. Lizárraga
Alan J. Skobin

3. **ROUNDTABLE DISCUSSION OF THE AUTOMOTIVE INDUSTRY IN GENERAL AND FACTORY SPECIFIC ISSUES OF INTEREST BY THE FOLLOWING VEHICLE, MOTORCYCLE AND HEAVY DUTY TRUCK MANUFACTURERS AND DISTRIBUTORS:**

- a. **AMERICAN HONDA MOTOR CO., INC.**
Frank Beniche, Senior Manager, Market Representation
Toni Harrington, Assistant Vice President, Honda North America
Mike Lynch, Zone Manager, Western Zone
- b. **BMW OF NORTH AMERICA, INC.**
Steve Saward, Business Development Manager, Western Region
- c. **DAIMLERCHRYSLER CORPORATION**
Jim Dimond, Network Planning Senior Manager/National Dealer Placement Manager
- d. **FORD MOTOR COMPANY**
LINCOLN-MERCURY DIVISION
James Barnes, Retail Development Manager, California Region
Brian Horn, Regional Operations Manager, California Region
PREMIER AUTOMOTIVE GROUP
Craig Samara, National Franchise Manager

- e. FREIGHTLINER, LLC
Joshua Palmer, Associate General Counsel
- f. GENERAL MOTORS CORPORATION
Frank H. Dunne, Executive Director, Vehicle Sales, Service and Marketing
- Retail Relationships
R.F. "Ron" Sobrero, General Manager, Dealer Relations, Vehicle Sales,
Service and Marketing
- g. HARLEY-DAVIDSON MOTOR COMPANY
Andrew Schiesl, Senior Counsel
- h. INTERNATIONAL TRUCK AND ENGINE CORPORATION
Doug Beck, Senior Counsel
- i. KAWASAKI MOTORS CORP., U.S.A.
Donald J. Koprowski, Vice President, General Counsel & Secretary
- j. MERCEDES BENZ U.S.A., INC.
Rory Hepner, Manager, Network Implementation
- k. NISSAN NORTH AMERICA, INC.
Kevin Colton, Senior Counsel
- l. TOYOTA MOTOR SALES, U.S.A., INC.
Nancy Davies, Vice-President Retail Market Development
Bob Dutton, Franchise Affairs Strategy Manager
Deborah Goldman, Managing Counsel
- m. YAMAHA MOTOR CORPORATION, U.S.A.
Russell Jura, Senior Vice President, General Counsel
Karen Tegger, Legal Counsel

- Government and Industry Affairs Committee.

Mr. Stevens welcomed and thanked everyone for their attendance. The meeting was turned over to Tom Flesh, Chair of the Government and Industry Affairs Committee. Mr. Flesh welcomed the participants and attendees. He also noted the changes to the format based upon feedback from last year's roundtable. Those changes included the date for the roundtable being held prior to the California Motor Car Dealers Association State Convention so as not to conflict with various dealer/manufacturer meetings; more time being allotted for each topic; a continental breakfast and luncheon buffet for those registering in advance and paying a registration fee; and, in addition to passenger cars, motorcycle and heavy duty truck manufacturers and distributors were participating.

Mr. Flesh addressed the following matters in an effort to ensure a free and open dialogue and to educate the Board members concerning automotive industry topics of interest: (1) sensitive topics concerning pending litigation should be avoided as should discussions concerning the pricing of vehicles; (2) the Roundtable discussion is not being transcribed by a court reporter; minutes concerning topic discussion in general will be prepared in the ordinary course; and (3) the Board's General Counsel, Howard Weinberg, was available to address any legal questions the members may have or if the discussion transgresses into legally sensitive areas.

In addition to the above factory participants, the following individuals also participated in the Industry Roundtable:

- La Stanja Baker, State Government Affairs Manager, Toyota Motor Sales, USA, Inc.
- Sandy Basset, Assistant Chief, Registration Operations Division, Department of Motor Vehicles.
- Carrie Catherine, Franchise Development Manager, Jaguar Land Rover North America.
- Mark Denny, Dealer Operations Manager, Western Region, Freightliner LLC.
- Robert L. Ebe, Partner, Bingham McCutchen LLP.
- Steve Finlay, Editor, Ward's Dealer Business Magazine.
- Mac M. Gordon, Detroit Editor, Ward's Dealer Business Magazine, F&I Magazine.
- Jay Gorman, Executive Vice President, California Motor Car Dealers Association.
- Robert Hemborg, President of the California Motor Car Dealers Association.
- Winston H. Hickox, Secretary, Environmental Protection Agency
- Fritz Hitchcock, Chairman/CEO, Hitchcock Automotive Resources.
- Bruce L. Ishimatsu, Partner, Bryan Cave LLP.
- Ed Loveless, Deputy Chief, Investigations, Department of Motor Vehicles.
- Scott Manley, Manager, Dealer/Market Development, Harley-Davidson Motor Company.
- Mike Norton, Esq., Alvarado Smith & Sanchez.
- John Paliwoda, Executive Director, California Motorcycle Dealers Association.
- Charlie Polce, Dealer Network Development Manager, Daimler Chrysler Motors Company LLC.
- Don Prochot, Franchise Development Manager, Jaguar Land Rover North America.
- Halbert B. Rasmussen, Partner, Manning, Leaver, Bruder & Berberich.
- Maurice Sanchez, Partner, Alvarado Smith & Sanchez.
- Peter K. Welch, Director of Government and Legal Affairs, California Motor Car Dealers Association.

Kevin Colton, Senior Counsel, Nissan North America, Inc., Jim Dimond, Network Planning Senior Manager/National Dealer Placement Manager, DaimlerChrysler Corporation, Mark Gregson, Deputy Director, Investigations, and Ken Miyao, Deputy Director, Registration Operations, Department of Motor Vehicles, were unable to attend.

The following specific topics were discussed:

Topic 1 – Manufacturers Use of Customer Satisfaction Scores to Evaluate Their Dealers.

Manufacturers are increasingly using dealer customer satisfaction surveys to help evaluate the total customer experience in purchasing an automobile. The resulting scores may be used, at least in part, to infer a “premiere status” label on certain dealerships, or alternatively as a basis for remedial action against a dealer. How are the surveys conducted and how do different manufacturers use the resultant data? Are dealers comfortable with the survey process? Are the surveys subject to manipulation?

Topic 2 - The Challenges Facing Vehicle Manufacturers, Energy Companies, Dealers and the Public in Transitioning to Fuel Cell Vehicles - Introduced by Winston H. Hickox, Secretary, Environmental Protection Agency.

On February 6, 2003, President Bush, promised “a new national commitment” to hydrogen powered fuel cells which are expected to begin replacing traditional gas powered vehicles within the next two decades. Fuel cells combine hydrogen and oxygen from the air to make electricity, with water as the only byproduct. However, there are major issues that need to be addressed, including how the hydrogen will be efficiently and inexpensively produced, transported, and stored, and how vehicles will be re-engineered to operate on fuel cells. Also, how will such vehicles be marketed to consumers in terms of style, cost, economy of operation, and reliability.

Topic 3 - The Mushrooming Problem of Kit Cars that Fail to Meet Safety and Emission Requirements - Introduced by Sandy Basset, Assistant Chief, Registration Operations Division, and Ed Loveless, Deputy Chief, Investigations, Department of Motor Vehicles.

Increasingly kit car manufacturers are assembling almost entire vehicles, yet selling them as kit cars. There are nearly 300 such manufacturers and the total volume of such kit vehicles sold annually is believed to be growing at a dramatic rate due to the “turnkey” concept now being marketed. Such vehicles when assembled are not required to meet current vehicle safety requirements, may not be required to meet emission requirements, and therefore, may pose significant passenger safety and air quality problems. Should kit car manufacturers and dealers be subject to greater regulation? To what extent will this “loophole” in vehicle safety and emissions standards be exploited by domestic and foreign manufacturers?

Topic 4 – Encouraging and Facilitating Ethnic and Gender Diversity Among Dealer Bodies.

Dealer diversity has become an increasingly high priority for vehicle manufacturers in recent years. Yet concerns with lack of progress continue to be an issue between manufacturers and diversity advocates. What strategies are being employed, which ones work best, and what can be expected in the coming years?

Messrs. Flesh and Novi thanked the participants and attendees for their contributions.

4. **ADJOURNMENT**

With no further business to discuss, the meeting was adjourned at 3:10 p.m.

Submitted by

TOM NOVI
Executive Director

APPROVED: _____

Glenn E. Stevens
President
New Motor Vehicle Board